



## Discussion Paper Series 21-1

# “Disaster area traps” and social inclusion in the Philippines and the experience of disaster area reconstruction in Japan

Yoshimasa KATOH

Graduate School of Disaster Resilience  
and Governance, University of Hyogo

2022年2月15日

兵庫県立大学大学院減災復興政策研究科

神戸市中央区脇浜海岸通1-5-2 人と防災未来センター東館4F

Phone 078(271)3290

## **“Disaster area traps” and social inclusion in the Philippines and the experience of disaster area reconstruction in Japan**

The original purpose of this paper was to compare the role and function of social enterprises in the reconstruction of disaster areas in the Philippines and Japan; however, unfortunately, the field survey could not be conducted as planned owing to the Covid-19 pandemic, which has become more serious worldwide since January 2020. Because of these circumstances, I chose to investigate by collecting materials via the internet and analyzing them based on personal experience in Japan.

### 1. Introduction: Social enterprises in disaster areas

In November 2013, Super Typhoon Yolanda occurred, the largest typhoon in the history of observation in the Philippines. The death toll was 6,300, and the damage to houses was \$1.14 million, primarily in Leyte Island, where the damage was enormous. In the disaster areas such as Leyte Island, efforts for regional revitalization and reconstruction are still ongoing.

This paper focuses on social enterprises, including organizations of the third sector, such as nongovernmental organizations (NGOs), nonprofit organizations (NPOs), and, particularly in the Philippines, people’s organizations (POs)<sup>1)</sup> that contribute extensively to the revitalization of disaster areas, and examines their role in reconstruction. A multitude of social enterprises were active in the Philippines prior to the disaster. According to the British Council, there are more than 160,000 social enterprises in the Philippines. The development of social enterprises in the Philippines has accelerated in recent years. The number of employees of social enterprises is growing by 16% annually, and sales are also increasing. The contribution to community support and employment expansion from social enterprises is substantial. In fact, since Typhoon Yolanda in 2013, numerous POs have started up and have contributed significantly to disaster area support. POs are groups organized by local residents for various purposes.<sup>2)</sup>

A preponderance of women support the activities of the social enterprises in the Philippines. According to the “Global Gender Gap Report 2020” published by the World Economic Forum, the Philippines ranks 16th among 153 countries and regions in the world (Japan is 121st); it is first place in Asia. Filipino social enterprises have several notable characteristics. First, women are the core of their activities, as 56% of social enterprise workers are female. In addition, 46% of social enterprises are run by young female leaders (half of whom are between the ages of 25 and 45). It can be said that women essentially drive Filipino social enterprises. Women engage in the primary

activities, and Filipino social enterprises are characterized by a wide variety of initiatives. A wide range of concerns are involved, such as support for poor communities and support for women’s challenges. It is estimated that 4.5 million people benefit from these activities annually. Social enterprises are prominent in the lives of Filipino people.

This paper examines the role of social enterprises, including POs, in recovery from catastrophic disasters. Navigating the “disaster area trap,” in contrast to the “poverty trap” concept that is common to development economics, will be analyzed from the unique perspective of social inclusion.

## 2. Challenge to breaking free from the disaster area trap

(1) In the growing Philippine economy, poor areas struggle to recover from disasters.

The Philippines’ economy has been growing. Figure 1 presents the growth rate of the real GDP in six ASEAN countries.

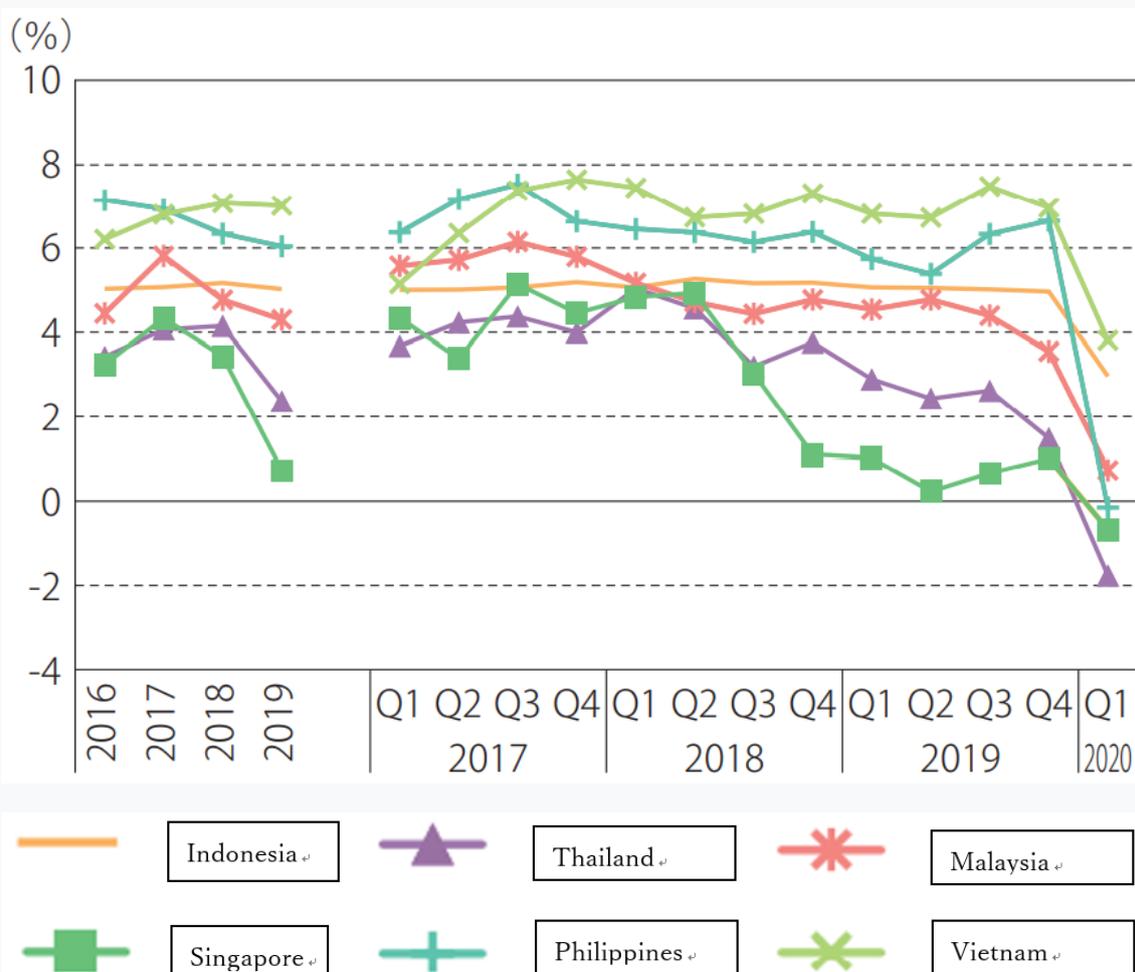


Figure 1 Real GDP growth rate of six ASEAN countries

Source: White paper on international trade, Japan 2020, p.88

Despite a notable drop related to the Covid-19 pandemic, the Philippines' GDP was \$362.2 billion in 2020, and its per capita GDP was \$3,330, ranking seventh among the 10 ASEAN countries; however, the GDP growth rate of the Philippines is the second highest among the major ASEAN countries, except Vietnam, and continues to grow. As shown in Figure 1, Vietnam's growth is significantly different from the Philippines thus far.<sup>3)</sup> The extenuating circumstances of income inequality have also been emphasized regarding the growth of the national economy. "The real household income and expenditure in the Philippines peaked in 1997–2000 and has hardly increased. Even in the 30 years from 1985 to 2015, it has increased only about 1.2 to 1.3 times" (Suzuki 2017). Notably, real GDP per capita has doubled. The context of this gap is related to a gradual increase in the number of middle-class and wealthy people along with economic growth, and the simultaneous expansion of low-income groups.<sup>4)</sup>

Another imbalance is regional disparity. The nominal GDP per capita in the Philippines in 2018 was 163,475 pesos, whereas GDP per capita in the Eastern Visayas region, including Leyte, was 73,996 pesos, 45% of the national average, representing only 15% of the 500,947 pesos of the richest individuals in Metro Manila (the relative poverty rate of Samar Island is high). Super Typhoon Yolanda hit a region of the Philippines where low-income people are concentrated.<sup>5)</sup>

## (2) The disaster area trap and social inclusion

In development economics, such circumstances are traditionally explained from the perspective of a poverty trap (Figure 2).<sup>6)</sup> The concept of poverty trap refers to a situation in which poverty leads to further poverty that is inescapable. Current income affects future income. On the 45 degree line in Figure 2, current and future incomes are equal. People in the poverty trap zone will have lower future incomes than they currently receive. Over time, people in this zone have been demonstrated as becoming poorer. Conversely, rising above the poverty trap refers to an increase in future income. Applying the challenges of local decline that emerge in the disaster-stricken areas, we can refer to this state as a "disaster area trap." However, the disaster area trap developed in this paper differs considerably from the poverty trap.

Areas that are affected by a catastrophe suddenly become disadvantageous, as a variety of challenges beyond those of income-based poverty emerge in people's lives. Such challenges including unemployment, discrimination, limited professional skills, low income, poor housing, crime, health problems, and family collapse arise, resulting in a deeper re-production of poverty that is referred to here as "social exclusion."

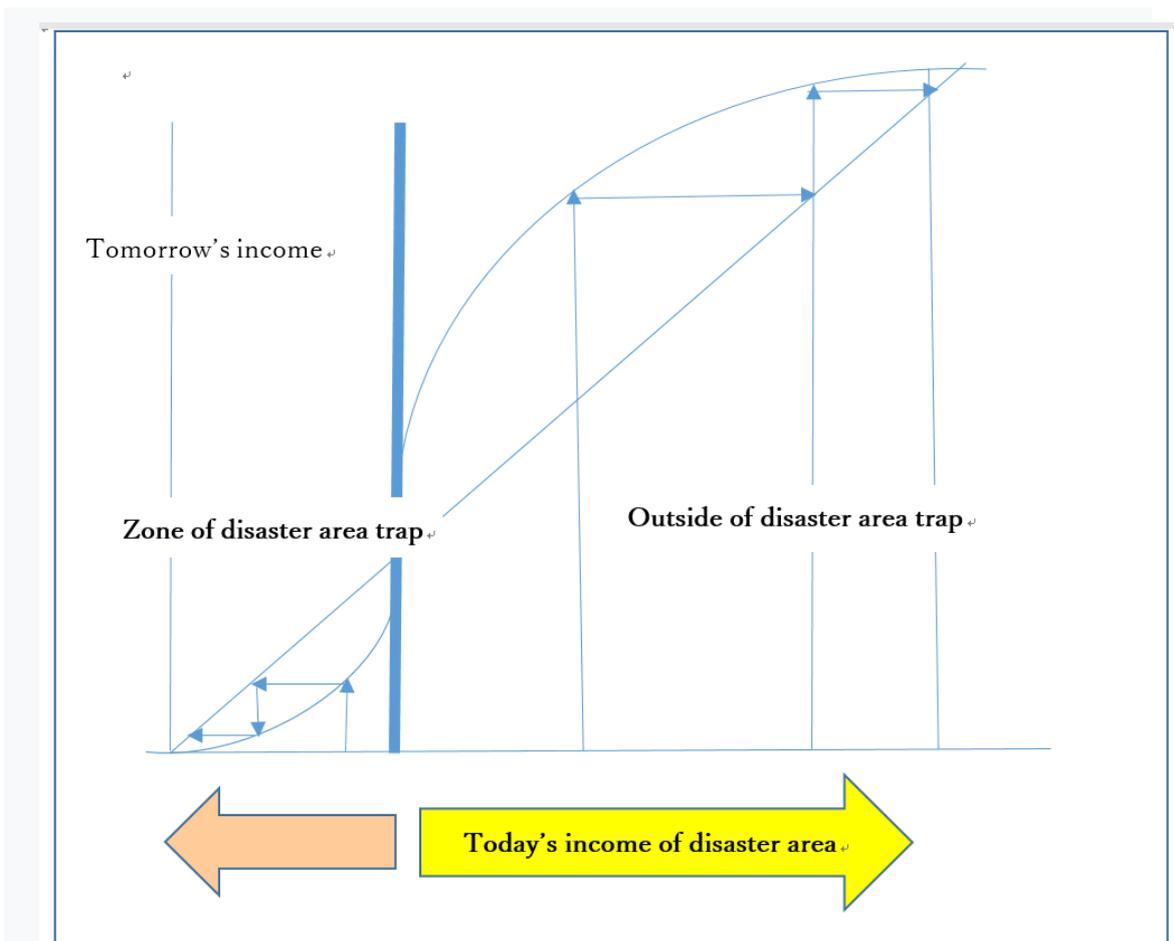


Figure 2 Model of the disaster area trap

Source: Author's construction.

The concept of social exclusion presents a considerably different perspective from the traditional single-track and static concept of poverty. There are two primary aspects of social exclusion.<sup>3)</sup> One is that instead of considering only a single evaluation axis, such as income, this concept includes various factors in an integrated manner, while also considering the relationships within society. Second, the concept emphasizes the dynamism of social change. The former suggests a multi-layered interdependence within a community, implying the potential of causing the next community transformation in a chain reaction. Even as an integrated perspective, it should not be assumed that a trajectory exists in which the response at that time will evoke the next response.

Table 1 Poverty and social exclusion

	Static output	Dynamic process
Income	Poverty	Impoverishment
Multifaceted	Deprivation	Social exclusion

Source: Higuchi (2004, p. 4)

The challenge is one of escaping this trap. With the current welfare income support to this area, there is a limit to the measures (policy) that exceed the threshold of such traps. Since multiple factors are interconnected in the regional groups facing such catastrophic declines, a solution is not available using only conventional vertical division approaches. Traditional social and economic policies are combined with policies that evoke the comprehensive strength of the region, from which human resources are found in hidden dimensions that can establish new relationships between citizens and government, and between citizens and businesses. The potential of local communities can be realized, and an effective means of rapid regional revitalization can be developed.

The new challenge of social exclusion in disaster-affected areas should not be engaged as a simple poverty problem. Addressing this disconnect necessitates a comprehensive perspective that includes a region's society, economy, history, and other fundamental considerations. Social enterprises such as POs include groups of community experts who are familiar with the region and had a critical role in the Typhoon Yolanda disaster area in close cooperation with the government and local governments. The challenges faced in the recovery in the disaster area were extensive. The recovery from the Great Hanshin earthquake in 1995 involved both market and government failure, and the third sector, including as NPOs and community businesses, had a major role here.

The following offers a brief summary of the intermediate labor market for the restoration of disaster-stricken areas in Japan as a potential guide for the revitalization of the labor market in the areas affected by Yolanda in the Philippines.

### (3) Toward the formation of a “regional intermediate labor market”

In Japan, immediately following the Great Hanshin earthquake in 1995, employment problems faced by the affected areas were expected to become more serious. The circumstances, which were already affected by unemployment under the labor shortage of the times, could not be addressed through the conventional labor market framework alone.<sup>5)</sup> Innovative employment policies were needed to support the reconstruction of the

disaster area. The emergence of employment problems in a mature society was not an issue unique to Japan. For example, the UK, which has been plagued by the accumulation of long-term unemployed, has implemented an intermediate labor market policy (a measure aimed at returning the long-term unemployed to the labor market) and has achieved results by integrating employment policies such as capacity building and vocational training in collaboration with various regional partners. This shift from welfare to employment also contributed to regional revitalization and could be referred to as an “active” labor market policy. This perspective is also necessary for labor market revitalization in areas affected by disasters. Here, the active labor market that responds to the unique issues of the disaster area will be referred to as the “regional intermediate labor market.”

### 3. Regional intermediate labor market and disaster area economies

The regional intermediate labor market for the reconstruction of a disaster area has two characteristics.<sup>6)</sup> The first is multiple interconnections. A regional intermediate labor market in which social enterprises have a major role has unique characteristics from conventional labor markets in terms of work style and is symbolized in concepts such as that of “prosumer.” A prosumer combines the terms producer and consumer and can be defined as an entity that creates and consumes its own goods and services. It also implies that traditional markets and governments are removed from supplying disaster victims with the goods and services that the markets and governments rationally provide to meet the diverse and changing demands in affected areas. Prosumers produce goods and services that are self-consumed, and may be inevitable and necessary in disaster areas under unfavorable conditions. This suggests that the roles of consumers and producers that traditionally remained separated in non-disaster times merge in a distinct response to the disaster and community members actively participate in economic activities.

The second characteristic is the multi-layered interconnections of regional intermediate labor markets. The growth of “freelance” (independent contractor) jobs, which has attracted attention during the Covid-19 pandemic, corresponds to the expansion of new business opportunities in a diversified society. It is notable that the inclusion of women, the elderly, and immigrants as supporting actors is evident in the Japanese organizational society. For example, women have an overwhelming advantage in starting businesses in health and welfare fields, which have been attracting attention as a substantial market in recent years.

Japan has an expansive, community-based horizontal network of individuals with intimate knowledge related to their communities. It is notable that female entrepreneurs

increasingly emerged from the disaster area recovery in regions that were once considered male-centered societies in the Great East Japan Earthquake.<sup>7)</sup> For example, the elderly in Japan have established new approaches in various aspects of postwar society. Considering the budding social activities and social business creation by the elderly that have already been witnessed in various regions, it can be said that a new leading actor is arising. This way of working generated by the appearance of new protagonist groups characterizes the concept of multi-layered employment proposed here. This approach differs considerably from traditional work arrangements. As discussed previously, the Philippines has an accumulation of multi-layered employment that far exceeds the circumstances in Japan.

What impact will the regional intermediate labor markets that emerge in disaster recovery have on regional economies?

First, a strengthening of the regional circulation of income and the effect of regional multipliers due to the expansion of regional employment is expected. Social enterprises that meet local needs develop in various ways. In reality, this involves collaborations in various activities within local communities. Increasing the regional circulation rate of added value offers enormous opportunities for disaster area regeneration and revitalization.

Second, it is notable that reciprocal employment is the basis for the stability of local communities. It is undeniable that these types of economies, formed by mutual support within the region, differ from traditional economies. The traditional conception of wealth in society is not chosen from the options presented, and the sense of intangible wealth through the satisfaction of conducting meaningful activities within the community is valued more highly. This is probably the most distinctive differentiator of social enterprises from other economic activities. However, community stability in the Philippines is evident and consistent with the development of social enterprises.

Third, social enterprises have an important role in flexibly and promptly responding to the diverse and changing needs of those living in disaster-affected areas. In this sense, social enterprises must take on the role of innovators in affected areas. The approach of commercializing the social issues of disaster areas has the potential to engage both social and economic resources that were previously overlooked.

The above discussion presents a summary of the considerations regarding the regional intermediate labor market in Japan. In terms of the leading activities in this area, it is apparent that the Philippines had already established the labor market systems to manage disaster-stricken areas that Japan tried to build. The challenge is how to leverage this accumulation to develop regional revitalization protocols to navigate and escape disaster area traps.

#### 4. Toward disaster area reconstruction

This paper examines the importance of a social inclusion approach for solving local community problems, particularly at the time when the withdrawal from disaster area traps is vital. Finally, as a remaining issue, it is critical to note the issue of traditional social policy in disaster area reconstruction.

As a result of the disaster, “it is not enough to give money to lead those who are forced into poverty to productive work. We have to acknowledge the potential for rebirth of people and understand the damage they have suffered from poverty. The tendency to ignore the human dignity of the poor is pervasive throughout the social protection system.”<sup>8)</sup> Duflo et al. (2012) present a novel perspective that is even more suggestive. First, unemployed people can produce something if appropriate conditions are met. Second, working itself is an aspect of the recovery process for problem solving. In addition to active labor market policies, the authors highlight the importance of improving the environment for external labor markets.

There are clearly limits to simple big-push policies to escape from the disaster traps of affected areas. It is essential to assume a detailed, community-based approach to regional revitalization that incorporates the social and cultural characteristics unique to each region. To advance social inclusion, it is important to establish collaborative partnerships between governments and the preexisting social enterprises established through strong and successful efforts in the Philippines.

- 1) UN.ESCAP, European Union and British Council “Researching the Farthest First: The State of Social Enterprise in the Philippines”, 2017.
- 2) Chiholi Tatebe, Takumi Miyamoto “Possibility of Association for the” Next Society “after Disaster Reconstruction-A Case Study of Residents’ Organization (PO) in 2013 Philippine Typhoon Yolanda” *Japan Group Dynamics Society 66th Proceedings of the conference presentation*, 8-11, 2019.
- 3) Ministry of Economy, Trade and Industry, *White paper on international trade, Japan 2020*.
- 4) Yurika Suzuki, “Philippines Households in Household Surveys,” edited by Chihide Kashihara, “*Philippines Economic and Industrial Revitalization and Challenges*” Research Report, Institute of Developing Economies 2017.
- 5) Japan Bank for International Cooperation, “Investment Environment in the Philippines,” Chapter 24, “*Overview of Major Regions*,” pp. 160-166.

- 6) Abhijit V. Banerjee, Esther Duflo “*Economics of the Poor*” (translated by Hiroo Yamagata) Esther Duflo, Misuzu Shobo, pp. 26-35, 2012.
- 7) Higuchi points out the need to expand social inclusion not only to the welfare area but also to the economic / cultural / political aspects. Akihiko Higuchi, “Mechanism of Social Exclusion in Modern Society-On the Intrinsic Dilemma of Active Labor Market Policy” *Sociology Review* 55-1, pp. 2-18, 2004.
- 8) Yoshimasa Katoh, “Urban Industry and Economic Policy in Earthquake Reconstruction,” *Urban Policy* No. 116, pp. 3-49, 2004
- 9) Regarding the community business / social enterprises in Japan, please refer to the following. Yoshimasa Katoh “Urban Life and Community Business” Kazuhiro Ueta, Naohiko Jinno, Yukio Nishimura, Yosuke Mamiya eds. “Thinking About Urban Revitalization” Volume 4 “*Urban Economy and Industrial Revitalization*”, Iwanami Shoten, pp. 69-99, November 2004.
- 10) Yoshimasa Katoh, “Regional Revitalization from Great Disasters and Social Innovation,” edited by Yoshimasa Katoh, “*Move the City: Escape from the Negative Lock-in*” Doyukan, pp. 248-286.
- 11) Abhijit V. Banerjee, Esther Duflo, “*Good Economics for Hard Times*”, The Wylie Agency (UK) Ltd. 2019.